

IRS News Release

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IRS Plans New Steps to Improve Operations, Shift Jobs to Front-Line Positions

IR-2004-3, Jan. 7, 2004

WASHINGTON — As part of an ongoing program to improve management of the Internal Revenue Service, IRS Commissioner Mark W. Everson announced today a series of new steps to improve agency operations. These changes are designed to create operational efficiencies that will allow the IRS to add more enforcement positions in 2005.

“These changes reflect our ongoing effort to manage the agency efficiently and effectively for the nation’s taxpayers,” Everson said. “By tightening operations, we can devote more people to front-line positions and strengthen tax enforcement activities. At the same time, service to taxpayers will not be reduced.”

The changes announced today involve three areas:

- Closing Memphis tax return processing operations effective in October 2005 following a big increase in e-filing and corresponding drop in paper tax returns.
- Consolidation of back-office processing for exam, collection and insolvency cases from 92 different locations to four starting in 2005.
- Reduction of agency overhead in internal support functions, particularly through new technology gains in the human resource area, starting in 2005.

“These steps are fiscally responsible,” Everson said. “They capture the benefits of new technology in electronic filing and an improved personnel system. Consolidation of back-office case processing is the kind of thing done years ago in the private sector.”

None of these initiatives will reduce the number of IRS employees who deal directly with taxpayers or lessen the number of office locations where taxpayers can interact directly with IRS personnel.

As required by its contract with the National Treasury Employees Union, the IRS today advised the union of its plans to implement these initiatives, which involve functions with approximately 6,700 of the 115,000 current IRS employees. The IRS estimates that approximately 2,400 employees may be involuntarily separated. Federal personnel requirements, as well as negotiations required by contract with the union, would mean that no employee would be involuntarily separated before January 2005.

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The savings from the three initiatives announced today will allow the IRS to fill 2,200 new positions. Between 1996 and 2002, the IRS enforcement resources including criminal investigators, revenue agents and revenue officers went down by more than a quarter.

“Savings from these initiatives will allow the IRS to hire more people to pursue cheating by high-income individuals and corporations, continue our attack on abusive tax shelters, bolster our criminal investigation efforts and assist with other enforcement priorities,” Everson said.

The changes announced today include:

Income Tax Return Processing

- The IRS is gaining efficiency from the increase in e-filed returns and the drop in the more labor-intensive paper filings. Since 1990, the number of returns filed electronically has grown from 4 million to 53 million in 2003, reducing the need for employees to enter the data manually. Two years ago, the IRS announced that it would, over time, reduce the number of centers processing paper returns. The IRS Brookhaven center stopped processing paper returns in September 2003.
- Today, the IRS is announcing the second step in this process. The IRS Memphis center will stop processing paper returns in October 2005. At the Memphis location, about 2,200 employees currently process tax returns. Almost 2,000 of these employees are either seasonal employees or employees hired under a limited-term appointment

Consolidation of Back-Office Operations

- The Small Business/Self-Employed Division (SB/SE) will consolidate its case-processing operations for examination, collection and lien processing. The IRS will also centralize insolvency operations, which protect the government's interest in bankruptcy proceedings. About 1,500 employees in 92 locations currently perform these back-office duties, which are frequently invisible to taxpayers. This structure reflects the old, geographic-based IRS organization before the 1998 Restructuring and Reform Act, which mandated the agency to be organized around taxpayer segments. The IRS will consolidate this work at four of its current processing centers, including Memphis.
- The offices range in size from one up to 90 people, but most of the offices are relatively small. In all, 55 of the 92 affected locations have 10 or fewer employees, and 35 of those locations have one or two employees.
- Consolidation of these operations will help improve service and expedite processing by providing greater flexibility during peak work periods, creating economies of scale and allowing better workload distribution. This effort will result in annual savings of approximately 350 staff years, which will be redeployed to examination and collection activities. Placing the work at the

processing centers may provide new work opportunities for some employees who had previously worked in return processing.

Reduction of Agency Overhead

- The IRS has also studied human resources and other support functions to identify staff efficiencies and determine the proper size of these activities. Streamlining and centralization of these functions will generate annual savings of approximately 750 staff years. A key component of this will be efficiency gains in the human resource area, which has benefited from automation of hiring and other personnel actions for IRS employees.

“I know the changes being taken will be hard for some of our employees and their families,” Everson said. “I appreciate the dedication and diligence of our employees, and I promise we will work closely with the union to do everything we can to assist our people as we go forward.”

A variety of steps will be taken to minimize the impact on employees affected by these changes; however, some of these employees may have to be involuntarily separated. The mitigating actions being considered include:

- Priority placement to any new positions for which they qualify.
- Voluntary reassignments within and outside an employee’s post of duty.
- Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) authority.
- Where possible, training to make employees eligible for new jobs.
- Directed reassignments to similar positions.

In the coming weeks and months, the IRS will work closely with the Office of Personnel Management to ensure the agency can use the appropriate personnel flexibilities to assist employees during this process.